AR88

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2299

LISTED MAY 30, 1968
698,220 common shares without par value, of which 64,000 shares are subject to issuance.
Stock Symbol "LHI"
Post Section 3.3
Dial Quotation No. 1810

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

gl

LEIGH INSTRUMENTS LIMITED

Incorporated under the Laws of Canada by Letters Patent dated July 11, 1961.

CAPITALIZATION AS AT MAY 16, 1968

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
8% Cumulative Redeemable Second Preference Shares of the par value of $0.40 each	187,500	187,500	nil
Cumulative Redeemable First Preference Shares of the par value of $50.00 each issuable in series	100,000		
$2.60 Cumulative Redeemable Convertible First Preference Shares Series A of the par value of $50.00 each	40,000	40,000	nil
Common Shares without par value	1,000,000	634,220	698,220
*of which 64,000 are subject to issuance			
FUNDED DEBT	nil		

May 16, 1968

1. APPLICATION

Leigh Instruments Limited (hereinafter called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 698,220 Common Shares without par value in the capital stock of the Company of which 634,220 have been issued and are outstanding as fully paid and non-assessable, 60,000 have been reserved for issue upon conversion of the outstanding convertible preference shares and 4,000 are subject to stock options. Reference is made to the Prospectus under the heading "Stock Option" — page 14.

2. HISTORY

Reference is made to the Prospectus under the heading "History" — page 3.

3. NATURE OF BUSINESS

Reference is made to the Prospectus under the heading "Products of the Company" — pages 5, 6, and 7.

4. INCORPORATION

The Company was incorporated under the laws of Canada by Letters Patent dated July 11th, 1961, with an authorized capital of 1,000 8% Cumulative Redeemable Preferred Shares of the par value of $100.00 each and 50,000 Common Shares without nominal or par value, provided, however, that the aggregate consideration for the issue of the said 50,000 Common Shares without nominal or par value should not exceed in amount or value the sum of $50,000.00.

Supplementary Letters Patent were issued to the Company on the following dates and for the following purposes:—

(a) November 7, 1963

(i) The rights, restrictions, conditions and limitations attaching to the said 1,000 8% Cumulative Redeemable Preferred Shares of the par value of $100.00 each were varied and the said shares were

redesignated as 1,000 Class B preference shares with a par value of $100.00, each.

(ii) 750 Class A preference shares of the par value of $100.00 each were created.

(b) October 1, 1965

(i) The number of votes attaching to the said 750 Class A preference shares were varied.

(ii) 224 of the said Class B preference shares were cancelled and the remaining 776 Class B preference shares were subdivided into 10,072 common shares without nominal or par value to rank pari passu in all respects with the said 50,000 common shares without nominal or par value in the capital stock of the Company.

(iii) The said 50,000 common shares and the said 10,072 common shares without nominal or par value of the capital stock of the Company were subdivided into 65,078 common shares without nominal or par value.

(iv) The capital of the Company was increased by the creation of 34,922 additional common shares without nominal or par value to rank pari passu in all respects with the said 65,078 common shares without nominal or par value.

(v) The Company was converted from a private company into a public company and was authorized to pay a commission to any person in consideration of his subscribing or agreeing to subscribe for shares, bonds, debentures, or other securities of the Company.

(c) November 28, 1967

(i) The number of votes attaching to the said 750 Class A preference shares were varied.

(ii) The said 100,000 common shares in the capital stock of the Company, whether issued or unissued, without nominal or par value were subdivided into 10 common shares without nominal or par value so that the authorized capital of the Company consisted of 750 Class A preference shares with a par value of $100.00 each and 1,000,000 common shares without nominal or par value, provided, however, that the aggregate consideration for the issue for the said 1,000,00 common shares without nominal or par value should not exceed in amount or value the sum of $575,000.00.

(d) March 8, 1968

(i) The said 750 Class A preference shares of the par value of $100.00 each were subdivided into 250 Class A preference shares of the par value of $0.40 each and the 187,500 Class A preference shares resulting therefrom were redesignated as 187,500 8% Cumulative Redeemable Second Preference Shares of the par value of $0.40 each.

(ii) The rights, preferences, priorities, limitations, conditions and restrictions attaching to the said 8% Cumulative Redeemable Second Preference Shares were varied.

(iii) The capital of the Company was increased by the creation of 100,000 of a Class of First Preference Shares of the par value of $50.00 each, issuable in series.

(e) April 16, 1968

(i) 40,000 of the said First Preference Shares were designated as $2.60 Cumulative Redeemable Convertible First Preference Shares Series A.

(ii) The terms and conditions attaching to the said First Preference Shares Series A, in addition to the terms and conditions attaching to the First Preference Shares as a class, were prescribed.

5. SHARE ISSUES

See Appendix II on page 6.

6. STOCK PROVISIONS AND VOTING POWERS

Each common share carries one vote at all meetings of shareholders. The $2.60 Cumulative Redeemable Convertible First Preference Shares Series A of the par value of $50.00 each and the 8% Cumulative Redeemable Second Preference Shares of the par value of $0.40 each have attached thereto the principal attributes to which reference is made in the Prospectus under the headings "First Preference Shares Series A" and "Second Preference Shares" — pages 10, 11, and 12.

7. DIVIDEND RECORD

See Appendixes I and IA on page 5.

8. RECORD OF PROPERTIES

Reference is made to the Prospectus under the heading "Plant Facilities" and "Subsidiaries" — pages 7 and 9.

9. SUBSIDIARY COMPANIES

Name	C. R. Snelgrove Co. Limited	Avionics Limited	Leigh Systems Inc.
Date of Incorporation	July 17, 1950	April 16, 1953	May 8, 1967
Jurisdiction	Ontario	Ontario	New York
Common Shares Authorized	20,000 npv	3,000 npv	1,000 npv
*Common Shares Issued	8,423	379	nil
Preferred Shares Authorized	1061 pv $10.00	10,895 pv $10.00	nil
*Preferred Shares Issued	nil	400	nil
Nature of Business	Reference is made to the Prospectus under the heading "Subsidiaries" page 9.		

* All issued shares are beneficially owned by the Company.

10. FUNDED DEBT

The Company and its subsidiaries have no funded debt.

11. OPTIONS, UNDERWRITINGS, ETC.

There are no outstanding options, underwritings, sale agreements or other contracts or agreements of a like nature with respect to any unissued shares or issued shares held for the benefit of the Company save and except the right of the holders of the $2.60 Cumulative Redeemable Convertible First Preference Shares Series A to convert the said shares into common shares for which 60,000 common shares have been set aside and an option granted to certain senior officers and key employees of C. R. Snelgrove Co. Limited to purchase an aggregate of 4,000 common shares of the Company to which reference is made in the Prospectus under the heading "Stock Options"—page 14.

12. LISTING ON OTHER STOCK EXCHANGES

There are no securities of the Company or its subsidiaries listed on any stock exchange.

13. STATUS UNDER SECURITIES ACTS

Particulars of any filing, registration, approval or qualification with or by the Ontario Securities Commission or any corresponding governmental body or authority are as follows:

(a) The Ontario Securities Commission issued its official receipt dated November 9, 1965 acknowledging receipt of the material required under The Securities Act (Ontario) in reference to the offering of 21,250 common shares in the capital stock of the Company at $7.70 per share.

(b) The Ontario Securities Commission issued its official receipt dated April 17, 1968 acknowledging receipt of the material required under The Securities Act (Ontario) in reference to the offering of 40,000 $2.60 Cumulative Redeemable Convertible First Preference Shares Series A of the par value of $50.00 each in the capital stock of the Company.

14. FISCAL YEAR

The fiscal year of the Company ends on June 30th in each year.

15. ANNUAL MEETINGS

The by-laws of the Company provide that the annual meeting of the Company shall be held at such place within Ontario, at such time and on such day in each year as the Board, or the President, or a Vice-President who is a director may from time to time determine. The last annual meeting of shareholders was held in Carleton Place, Ontario, on October 4, 1967.

16. HEAD AND OTHER OFFICES

The head office of the Company is situated at 115 Emily Street, in the Town of Carleton Place in the Province of Ontario. The Company has no other offices.

17. TRANSFER AGENT

The Transfer Agent of the Company is:
Montreal Trust Company
15 King Street West,
Toronto, Ontario.

18. TRANSFER FEE

No fee is charged on stock transfers other than the customary Government stock transfer taxes.

19. REGISTRAR

The Registrar of the Company is:
Montreal Trust Company
15 King Street West,
Toronto, Ontario.

20. AUDITORS

The Auditors of the Company are:
Messrs. McDonald, Currie & Co.
151 Slater Street,
Ottawa 4, Ontario.

21. OFFICERS

NAME	OFFICE	HOME ADDRESS
John Joseph Shepherd	President	242 High Street, Carleton Place, Ontario
John Richard Brian Steacie	Vice-President	246 High Street, Carleton Place, Ontario
Maurice Price	Secretary	238 Blair Street, Carleton Place, Ontario
Mark Walter Bormann	Treasurer	1199 Stanton Road, Ottawa, Ontario

22. DIRECTORS

The Directors of the Company are:

NAME	HOME ADDRESS
John Joseph Shepherd	242 High Street, Carleton Place, Ontario
John Richard Brian Steacie	246 High Street, Carleton Place, Ontario
Maurice Price	238 Blair Street, Carleton Place, Ontario
Mark Walter Bormann	1199 Stanton Road, Ottawa, Ontario
John Lachlin Mackay	10 Huntley Street, Toronto, Ontario
Albert Douglas Holt	1770 De Gros Bois, St. Bruno, Quebec

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors, Leigh Instruments Limited hereby applies for listing of the above mentioned securities on The Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

LEIGH INSTRUMENTS LIMITED

Corporate Seal

Per:

"J. J. SHEPHERD," President

"M. PRICE," Secretary

Distribution of Common stock as of May 10th, 1968

Number			Shares
213	Holders of	1 — 24 share lots	2,607
298	" "	25 — 99 " "	13,101
211	" "	100 — 199 " "	23,655
64	" "	200 — 299 " "	13,903
29	" "	300 — 399 " "	9,337
16	" "	400 — 499 " "	6,650
50	" "	500 — 999 " "	31,121
74	" "	1000 — up " "	533,846
955	Shareholders	Total shares	634,220

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

New Issue

$2,000,000

(40,000 shares)

Leigh Instruments Limited

(Incorporated under the laws of Canada)

$2.60 Cumulative Redeemable Convertible First Preference Shares Series A

(par value $50)

The First Preference Shares Series A, when issued, will be fully paid and non-assessable, preferred as to capital and dividends and entitled to fixed cumulative preferential cash dividends, as and when declared by the board of directors, at the rate of $2.60 per annum to accrue from May 7, 1968 and to be payable quarterly on the first days of January, April, July and October, commencing on July 1, 1968.

The First Preference Shares Series A will be redeemable on not less than 30 days' notice at $52 per share together with all unpaid and accrued dividends, provided that no redemption may be made prior to May 1, 1971 unless Common Shares of the Company were traded for a specified period prior to the giving of notice of redemption at a market price (as defined) which is at least 125% of the conversion price referred to below. The provisions to be attached to the First Preference Shares Series A are summarized under the heading "First Preference Shares Series A" on page 10.

Conversion Privilege

The holder of any First Preference Share Series A will have the right at any time on or prior to May 1, 1976 or the third business day prior to the date fixed for redemption of such share, whichever is earlier, to convert such share into Common Shares of the Company at a conversion price of $33⅓ per Common Share, to be effected on the basis of 1½ Common Shares for each First Preference Share Series A, subject to adjustment in certain events.

	Price to Public	Underwriting Commission	Proceeds to Company (1)
Per Share..........	$50.00	$2.25	$47.75
Total..............	$2,000,000	$90,000	$1,910,000

(1) Before deduction of expenses, estimated at $24,000.

We, as principals, offer these First Preference Shares Series A subject to prior sale, if, as and when issued by the Company and accepted by us and subject to the approval of all legal matters on our behalf by Messrs. Blake, Cassels & Graydon, Toronto, and on behalf of the Company by Messrs. Gowling, MacTavish, Osborne & Henderson, Ottawa.

Price: $50 per share to yield 5.20%

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive share certificates will be available for delivery on or about May 7, 1968.

Harris & Partners Limited

Toronto Montreal New York London

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Purchasers' Statutory Rights of Withdrawal and Rescission

The Securities Act, 1966 (Ontario) provides, in effect, that where a security is offered to the public in the course of primary distribution:

(*a*) *a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and*

(*b*) *a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus and any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.*

Reference is made to Sections 63 and 64 of The Securities Act, 1966 (Ontario) for the complete text of the provisions under which the foregoing rights are conferred.

The Company

Leigh Instruments Limited (herein sometimes referred to as the "Company" or "Leigh") was incorporated as a private company by letters patent dated July 11, 1961 issued under the Canada Corporations Act and was converted into a public company by supplementary letters patent dated October 1, 1965. The capital stock of the Company has been modified from time to time, including by supplementary letters patent dated November 23, 1967 subdividing the 100,000 authorized Common Shares on a 10-for-1 basis and by supplementary letters patent dated March 8, 1968 creating a new class of First Preference Shares issuable in series, subdividing and modifying the terms of the existing Class A Preference Shares and redesignating them 8% Cumulative Redeemable Second Preference Shares. Further supplementary letters patent have been applied for as referred to under the heading "First Preference Shares Series A" on page 10. The Company's head office and plant are located at 115 Emily Street, Carleton Place, Ontario.

The Company is primarily engaged, directly and through its wholly owned subsidiaries, in the design, development and manufacture of certain instruments and systems for the aircraft industry and components for the electronics and communications industries.

History

Initially, Leigh's principal business was to provide design and engineering services with respect to aircraft instruments and electronic components. In addition, it carried on a small manufacturing operation for such products.

In its first year, the Company acquired from Canadian Patents and Development Limited, a Crown corporation, a licence to manufacture and sell an aircraft crash position indicator and its related airfoil delivery system, invented and patented by the National Research Council. Considerable development and improvement of these devices had to be undertaken before it became possible to market them and the Company was enabled to do so through the substantial and continuing financial assistance of the Department of Defence Production.

In 1964, after a successful demonstration of these products to the United States Air Force, the Company received its first major manufacturing order. That year marked the transition of Leigh from a concern engaged mainly in engineering to a manufacturing operation capable of meeting the strict delivery schedules associated with military procurement.

A rapid increase in the demand for Leigh's products together with the broadening of its product lines required a substantial enlargement of the Company's manufacturing facilities in 1966 and resulted in a material growth in sales. Annual sales of the Company have risen from $30,254 in the year ended June 30, 1962 to $4,083,588 in the year ended June 30, 1967.

A wholly owned subsidiary, Leigh Systems, Inc., was established in 1967 in the United States and the establishment of another subsidiary in the United Kingdom is being considered for the purpose of servicing and furthering sales in those countries.

Diversification into products directed primarily at the commercial market was intensified in January, 1968 by the acquisition of C. R. Snelgrove Co. Limited and Avionics Limited which manufacture components for the communications industry and for the electronics industry respectively.

Underwriting

Under an agreement dated April 15, 1968, the Company has agreed to sell and Harris & Partners Limited, as underwriter, has agreed to purchase the 40,000 $2.60 Cumulative Redeemable Convertible First Preference Shares Series A (herein sometimes referred to as "First Preference Shares Series A") offered by this prospectus for $2,000,000 payable on delivery of certificates for such shares on or about May 7, 1968, subject to the terms and conditions of such agreement and payment of a commission of $90,000.

Use of Proceeds

The net proceeds from the sale of the First Preference Shares Series A will amount to approximately $1,886,000 and, immediately upon receipt, will be applied to the extent of $1,264,000 to retire bank loans incurred to finance the purchase of the shares of C. R. Snelgrove Co. Limited and Avionics Limited, and to the extent of $541,000 to reduce operating bank loans. Such operating loans include an advance of $88,100 paid on February 19, 1968 by the Company to the Ontario Development Corporation, partly to retire a secured loan and partly as pre-payment under a long-term lease. The balance of $81,000 is intended to be applied to the redemption, on or prior to June 30, 1968, of all the outstanding 8% Cumulative Redeemable Second Preference Shares of the Company.

Consolidated Capitalization

	Amount Authorized	Outstanding December 31, 1967	Outstanding February 29, 1968	Outstanding February 29, 1968 after giving effect to this financing
LOAN CAPITAL				
Bank loans (secured)				
Company	—	$725,354	$2,136,553	$331,553
C. R. Snelgrove Co. Limited	—	91,968	27,925	27,925
Leigh Systems, Inc.	—	24,529	75,503	75,503
Government of Canada, capital assistance loans, interest free (1)				
due in 1971	—	12,460	12,460	12,460
due in 1974	—	15,548	13,195	13,195
7½% secured loan from Ontario Development Corporation(2)	$80,000	26,895	—	—
SHARE CAPITAL(3)				
First Preference Shares with a par value of $50 each, issuable in series	100,000 shs ($5,000,000)			
$2.60 Cumulative Redeemable Convertible First Preference Shares Series A	40,000 shs ($2,000,000)	—	—	40,000 shs ($2,000,000)
8% Cumulative Redeemable Second Preference Shares with a par value of $0.40 each(4)	187,500 shs ($75,000)	187,500 shs ($75,000)	187,500 shs ($75,000)	187,500 shs ($75,000)
Common Shares without par value (5) (6)	1,000,000 shs	634,220 shs ($278,498)	634,220 shs ($278,498)	634,220 shs ($278,498)

NOTES:

(1) Secured by liens upon the specific equipment acquired by means of such loans. The loan due in 1974 was made to C. R. Snelgrove Co. Limited.

(2) The aggregate principal amount advanced under this loan was $30,000.

(3) The above table gives effect to; (i) the issue of supplementary letters patent dated March 8, 1968 (a) subdividing, redesignating and modifying the 750 authorized and outstanding Class A Preference Shares of the par value of $100 each (redeemable at 108% of par value and entitled to cumulative dividends at the rate of 8% per annum and to 250 votes per share when dividends are in arrears) into 187,500 8% Cumulative Redeemable Second Preference Shares of the par value of 40¢ each ranking junior to the First Preference Shares and entitled to one vote per share at all meetings of shareholders; and (b) creating a new class of First Preference Shares; and (ii) the issue of further supplementary letters patent fixing the number, designation and attributes of the First Preference shares Series A.

(4) The Company has announced its intention to redeem all the outstanding Second Preference Shares on or prior to June 30, 1968.

(5) 60,000 Common Shares are reserved for issue on the conversion of the First Preference Shares Series A and 4,000 Common Shares are reserved for issue on the exercise of employee stock options.

(6) In addition to the stated dollar value for Common Shares shown above, the Company had retained earnings of $588,874 at December 31, 1967. On completion of this financing, such retained earnings will be reduced by approximately $114,000 representing the underwriting commission and estimated expenses of this issue.

(7) Reference is made to Note 11 to the Pro Forma Consolidated Financial Statements on page 26 for information regarding lease obligations.

Products of the Company

The following is a description of the products currently in production or under development by the Company.

Aircraft Location and Recording Systems

Airfoil Delivery System: the airfoil is an aerodynamically designed body of molded, rigid, plastic foam capable of carrying small payloads positioned inside it. It is so constructed as to be shock resistant and water proof, enabling it to land on the roughest terrain without damage to its contents, and to float indefinitely on water.

The airfoil is generally mounted on the tail section of an aircraft and, under extremely severe flight conditions or in the event of a crash, will be released by special sensors installed in the nose and wing tips. Upon release, the airfoil will initially fly in a trajectory away from the aircraft and, depending on its design, will descend either in a tumbling or rotating manner at a greatly reduced rate of speed enabling it to withstand the impact of landing on any surface.

The airfoil has been an important factor in the success of Leigh's crash position indicator and accident data recorder system.

Crash Position Indicator: the crash position indicator ("CPI") is a radio transmitter which is used to signal the location of downed aircraft. The CPI is carried in an airfoil and upon the latter's release will commence broadcasting over a range of about 40 miles a continuous emergency signal which lasts for approximately 48 hours, even under extreme temperature conditions. In the event of a forced landing, the airfoil may be manually released by the pilot, thus setting the CPI emergency signal into action. In the event of a crash or a forced landing, search planes using radio direction finders are greatly assisted in their efforts to find the downed aircraft.

The CPI has so far produced the largest sales volume of any of the Company's products and has been installed on the U.S. Presidential jet "Air Force One" and on C-141 "Starlifter" and C-130 "Hercules" jet transports of the U.S. Air Force Material Air Transport Command. The CPI is currently being installed on the C-5 "Galaxy", the largest jet transport of the U.S. Air Force. While the CPI was initially fitted on aircraft which were already operational, it has now become part of the standard specifications for U.S. Air Force transport aircraft and in the case of the "Galaxy" is being installed during the assembly of that aircraft. A modified version of the CPI has been developed by Leigh specifically for use on helicopters and has been ordered by the R.A.F.

The Company is in the process of developing a commercial version of the CPI to be called Downed Aircraft Position Indicator, for the private light aircraft market.

Accident Data Recorder System: the accident data recorder system ("ADR") is designed to record on magnetic tape aircraft flight data such as time, airspeed, altitude, heading and vertical acceleration and numerous other performance statistics of an aircraft. Some models also record the conversation of the cockpit crew. The system consists of electronic recording units placed in various parts of the aircraft and a cassette containing the magnetic tape which, when recovered in good condition after a crash, can be played back on special ground equipment to be used in determining the causes of the accident.

The Civil Aviation Branch of the Department of Transport is understood to be currently preparing regulations making it mandatory for flight data recorders to be carried in most types of commercial jet aircraft by January 1, 1969 and in all commercial turbo-prop and piston-engined aircraft by January 1, 1970.

In order to lessen the risk of destruction of the magnetic tape which often occurs upon the crash of an aircraft, the Company devised an ADR, the cassette of which is contained in a CPI equipped airfoil, thus virtually assuring the recovery of the tape in good condition in the event of a crash.

The ADR/CPI system is being installed on "Yukon" transport aircraft of the Canadian Armed Forces. It has been flight tested on the Canadian F-104 "Starfighter" and the U.S. C-141 "Starlifter", in each case under contract from the Forces concerned, and recently was successfully demonstrated to the U.S. Tactical Air Force. The Company is currently carrying out contracts for the evaluation of its system on the P-3 anti-submarine patrol aircraft of the U.S. Navy and the West German F-104 "Starfighter".

Different applications of the ADR are being developed for use by airframe manufacturers to record in-flight stresses on new aircraft while undergoing flight tests, and by maintenance personnel to locate areas of fatigue and potential failure to enable them to make better judgments as to what maintenance is required.

Ground Playback Unit: this equipment is designed to play back the magnetic tape from the ADR and, for the purpose of analysis, provides outputs of flight data in either chart or digital form, and outputs of voice in channels which may be selected individually or mixed in any combination.

VGH Recorder System: this recorder system which is undergoing development and flight testing, is specifically designed to determine the fatigue life of aircraft structures and accordingly is not carried in an airfoil. It is limited to recording acceleration, airspeed and altitude, in addition to the date, mission type and aircraft weight which are recorded by manual setting on a control unit. The recording tape can be played back on existing data processing equipment.

Aircraft Instruments

In competition with leading U.S. manufacturers, the Company has won design and production contracts from the Canadian Armed Forces for a number of aircraft instruments. The activities of the Company in this field were until recently limited to these contracts because of the emphasis placed on the development and sale of the CPI and ADR. During 1967, the Company intensified its development efforts particularly with respect to altimeters applicable to both commercial and military aircraft and is endeavouring to develop export markets for its instruments.

Instruments currently in production are as follows:

Automatic Master Heading Control: provides simultaneous displays of several types of compass heading information; the instrument also enables the navigator to control and update the heading reference without interfering with the pilot's magnetic heading reference.

Servo Repeater Amplifier: meets the need for accurate, reliable and compact signal retransmission from a low-power source to a number of separate high-power receivers, which can provide remote drives for data display or other signal repeater applications.

Servoed Altimeter: operates from standard altitude or air data computers and provides a digital and single pointer display; in case of computer or electrical power failure, it automatically provides a mechanically operated standby altimeter.

Track Position Indicator—Command Track Unit: provides continuous along and across track aircraft position information; the system operates in conjunction with radar systems. The Command Track Unit enables the navigator to automatically steer the aircraft along any desired track.

True Airspeed Adaptor: corrects airspeed computer output signals for repeatable computation errors; it also permits correction by means of a special Leigh designed cam compensator.

Other Products

In order to reduce its reliance on the military market, the Company is searching for new products having commercial and industrial uses and which preferably require only limited production runs while affording high profit margins. Close communications are maintained with the National Research Council with a view to finding such products and it is from this source that the Company obtained licences to further develop and manufacture the products referred to below.

Forestry Survey Radar Altimeter: this altimeter was designed to facilitate aerial surveys for the forest products industry. When used in conjunction with stereoscopic photographs, it enables the accurate assessment of timber volume in woodland stands.

Oxygen Probe: this instrument, conceived by the technical staff of the Department of Energy, Mines and Resources, is a long steel lance equipped with a tip comprising electronic components which, when dipped in molten steel, will instantly and accurately measure its oxygen content. Such oxygen content determines to a large degree the quality of the final product and can at present be measured only by complex and expensive methods of laboratory analysis. Although a lance is re-usable, the tips will require constant replacement. The oxygen probe is still undergoing development by the Company but a number of prototypes have been produced and are currently being evaluated by several Canadian steel mills.

Leigh Instruments Limited

Sales Revenue
(in thousands of dollars)

	Year ended June 30					
	1962	1963	1964	1965	1966	1967
Aircraft instruments	$ 30	$ 36	$366	$181	$160	$706
Crash position indicators	—	—	36	465	2,046	3,000
Recorder systems	—	—	41	185	342	182
Other products, repair and overhaul	—	41	19	13	97	196
	$ 30	$ 77	$462	$844	$2,645	$4,084

Operations

Plant Facilities

The Company's plant is situated at Carleton Place, Ontario, about 30 miles west of Ottawa, on a six-acre site occupied under a ten-year lease back arrangement with the Ontario Development Corporation, ending December 31, 1976. The Company has an option to purchase the property at any time after October 1, 1974 at a price to be negotiated but not exceeding $50,000. An additional 3.5 acres of adjoining property is available for expansion under an option which may be exercised up to February 1, 1977.

The plant consists of three adjoining buildings incorporating manufacturing, administrative and warehousing facilities comprising approximately 85,000 square feet. The newest of these buildings, completed in 1966 and having an area of 30,000 square feet, was designed by the Ontario Research Foundation with particular attention to efficiency of operations and the eventual expansion of facilities. The remaining buildings, formerly a textile mill, were partially renovated during the first years of the Company's existence. The Company has access to adequate shipping facilities by road and railway.

The manufacturing and testing equipment, the majority of which was acquired within the last three years, is modern, in excellent condition and most of it highly specialized. Approximately 8,000 square feet in the plant are allocated to a laboratory for the design and testing of products and an engineering model shop for the production of prototypes.

Manufacturing

Precision assembly of the Company's line of aircraft instruments is carried out in an environmentally controlled work area. In addition, the high performance standards demanded of certain products required the Company to devise special production techniques such as, in the case of the airfoil, the hand lay-up of fiberglass and the forming of plastic foam, techniques which the Company believes to be among the best in this field.

Continuing quality control applied throughout the manufacturing process enables the Company to meet the exacting requirements of its customers.

Marketing

The sales force consists of approximately twenty-two technical sales representatives and is supported by the active participation of senior management in contract negotiations. The Company has full time sales representatives in the United Kingdom and West Germany, and employs the services of a sales agency in the United States specializing in the aviation market. Leigh also maintains a close association with Dornier System GmbH, a leading aircraft manufacturer in West Germany.

Research and Development

The Company's research and development activities are of an applied nature and consist primarily of improving and modifying inventions and products initially developed by others which are considered to have good market and profit potential. These products, once in commercial production, continue to be refined and improved where possible. Development is also carried out with a view to broadening the applications of such products.

As shown by the table below, Leigh's research and development activities have received substantial support from the Government of Canada, including 100% of all funds available for that purpose during the first three years of the Company's existence.

Research and Development Funds
Source and Application

	Year ended June 30					
	1962	1963	1964	1965	1966	1967
Government Contribution	$50,529	$223,949	$228,588	$138,200	$111,294	$153,540
Company Contribution	—	—	—	46,710	353,520	420,761
Total Funds Available	50,529	223,949	228,588	184,910	464,814	574,301
Expenditures	51,029	230,493	240,334	165,039	190,492	694,153
	(500)	(6,544)	(11,746)	19,871	274,322	(119,852)
Opening Position	—	(500)	(7,044)	(18,790)	1,081	275,403
Accumulated Position	$ (500)	$ (7,044)	$ (18,790)	$ 1,081	$275,403	$155,551

The airfoil delivery system, crash position indicator, oxygen probe and certain related devices are manufactured by the Company under three non-exclusive patent licensing agreements dated July 1, 1965, September 1, 1965 and July 1, 1967 with Canadian Patents and Development Limited, a subsidiary of the National Research Council, which agreements extend for the duration of the patents referred to therein, the earliest of which expires in 1977.

Management and Employee Relations

The Company's management group whose ages range from 39 to 42, consists of the following persons:

J. J. Shepherd, President and General Manager, is a graduate of London University, England, and McMaster University. He served with the United Kingdom Air Ministry for seven years and, prior to joining Leigh in 1961, was for a period of six years contracts manager with two leading Canadian companies in the electronics industry.

J. R. B. Steacie, Vice President and director of engineering, is an engineering graduate of McGill University, served for four years with the Defence Research Board and for seven years with the instrument section of a manufacturer of electronics, latterly as chief of such section.

M. Price, Secretary, graduated in engineering from Witwaterstrand University, South Africa, and was design engineer and latterly chief engineer with several companies in the electronics and aircraft instruments industries in the United Kingdom and Canada.

M. W. Bormann, Treasurer and director of finance and a Registered Industrial Accountant, has held the office of chief accountant and treasurer with other companies before joining the Company in 1963 and has lectured in accounting in the extension department of Carleton University.

B. H. Young, director of operations, has over eight years of experience in various branches of the aircraft industry, and for six years served as manager of manufacturing operations.

F. W. White, director of marketing, is an engineering graduate of McGill University. Prior to joining the Company in 1966, he served for ten years with a leading electronics company in various capacities relating to sales and field service.

The Company employs approximately 335 persons most of whom are technically trained or skilled. The Company participates in an apprenticeship programme with the Ontario Government and through its continuous on-the-job training of local labour, has created a highly reliable work force. Leigh enjoys excellent relations with its employees who may at their option participate in comprehensive group life and health insurance and pension benefit plans offered by the Company.

Subsidiaries

C. R. Snelgrove Co. Limited

C. R. Snelgrove Co. Limited (herein sometimes referred to as "Snelgrove") is an Ontario company incorporated in 1950, all the shares of which were acquired by Leigh in January, 1968 for $1,114,000.

Snelgrove manufactures quartz crystals, crystal filters and crystal ovens for radio communication equipment and for navigational equipment such as radar and sonar. Quartz crystals and crystal filters are used to stabilize frequencies and circuit elements in transmitting and receiving equipment respectively, while crystal ovens maintain quartz crystals at fixed temperatures to permit more effective performance. These products are always made to customer specifications.

Snelgrove is one of the principal Canadian manufacturers of such components and its sales to customers in Canada during the last ten years represented in excess of 50% of the market. Approximately one-third of Snelgrove's production is exported, primarily to Western Europe.

Operations are carried on from a modern, company-owned plant in Don Mills, Ontario, having an area of about 15,000 square feet. The plant comprises a machine shop and an electronics laboratory for the product development activities in which Snelgrove is engaged. These activities have included research and development contracts awarded by the Department of National Defence (Defence Research Telecommunications Establishment) for the evaluation of cultured quartz and for the investigation and development of quartz resonators. Snelgrove employs approximately 175 persons.

Avionics Limited

Avionics Limited (herein sometimes referred to as "Avionics") is an Ontario company incorporated in 1953, all the shares of which were acquired by Leigh in January, 1968 for $150,000.

Avionics is located at Niagara-on-the-Lake, Ontario, and manufactures components for the electronics industry. These components consist primarily of printed circuit boards and assemblies and also include terminal boards, nameplates, instrument panels, dials and component boards made to customer specifications.

Leigh Systems, Inc.

Leigh Systems, Inc. (herein sometimes called "Leigh Inc.") is a New York corporation established by Leigh in July, 1967. Leigh Inc. carries on a manufacturing, repair and overhaul operation for the products of the Company sold in the United States and also operates as a sales outlet in this market.

The facilities of this subsidiary are located in Syracuse, New York, in leased premises having an area of about 12,000 square feet, built to the Company's specifications and completed in the fall of 1967. By arrangement with the lessor of these premises, adjoining land is being kept available for expansion of the existing plant. Leigh Inc. currently employs approximately 20 persons and plans to increase this number to about 35 by the summer of 1968.

Outlook

Leigh's operations to the present time have been almost entirely related to defence production and directed mainly at the United States military market. This resulted from a deliberate policy dictated by close technical and marketing familiarity with military programmes and the large market inherently associated with such programmes. Now that high volume military contracts have been secured, management is endeavoring to reduce its dependence on military procurement, partly by extending its activities into the field of civil aviation, partly through the development of other products outside the field of aviation and destined for industrial and commercial users, and partly through the acquisition of companies engaged in electronics whose product lines complement those of the Company and are mainly for the civilian market. The Company has been holding preliminary discussions relating to certain possible further acquisitions but does not presently have any contract or commitment with respect thereto.

Since the aviation products of the Company are essentially safety devices, Leigh's management does not consider that the maintenance or growth of the Company's sales to the military market is dependent to a significant extent upon the continuance or escalation of current hostilities, nor is it expected that they would be materially reduced by a decrease in hostilities.

First Preference Shares Series A

By supplementary letters patent dated March 8, 1968 the authorized capital of the Company was increased by the creation of 100,000 First Preference Shares with a par value of $50 each, issuable in series. The Company has applied for supplementary letters patent designating and fixing the attributes of 40,000 of the First Preference Shares as $2.60 Cumulative Redeemable Convertible First Preference Shares Series A which are the securities offered by this prospectus.

The following statement is a summary of the principal attributes which will be attached to the First Preference Shares Series A. Such statement does not purport to be complete and is qualified in its entirety by reference to the supplementary letters patent dated March 8, 1968 and the resolution of the board designating and fixing the attributes of the First Preference Shares Series A and, when issued, the supplementary letters patent confirming such resolution, all of which will be available for examination at the principal office of Montreal Trust Company in Toronto.

Dividends

The holders of First Preference Shares Series A will be entitled to receive, as and when declared by the directors, fixed cumulative preferential cash dividends at the rate of $2.60 per annum, accruing from May 7, 1968, and payable quarterly on the first days of January, April, July and October.

Rights on Liquidation

In the event of liquidation, dissolution or winding up of the Company or other distribution of assets to shareholders, the holders of First Preference Shares Series A shall be entitled to receive the par value thereof together with all accrued and unpaid preferential dividends and, if such distribution shall result from voluntary action on the part of the Company, a premium of $2.00 per share, all in priority to the holders of Common Shares and any other shares ranking junior to the First Preference Shares Series A.

Purchase and Redemption

The Company may purchase the whole or any part of the outstanding First Preference Shares Series A in the open market or by invitation for tenders at the lowest price at which, in the opinion of the directors, such shares are obtainable but not exceeding the voluntary liquidation price and costs of purchase.

The First Preference Shares Series A will be redeemable at the option of the Company in whole at any time or in part from time to time on not less than thirty day's notice at a redemption price of $52 per share together with an amount equal to all unpaid preferential dividends accrued thereon to the redemption date, provided that no redemption may be made prior to May 1, 1971 unless Common Shares of the Com-

pany were traded on each of fifteen business days within a period of twenty consecutive business days ending fifteen days prior to the date on which notice of redemption is given, at a market price which is at least 125% of the conversion price then in effect. "Market price" will be defined to mean the price at which not less than 100 Common Shares of the Company are traded on a specified day on a recognized stock exchange in Canada and "business days" will be defined to mean days on which the said stock exchange is open for a regular trading session.

Conversion

The First Preference Shares Series A will be convertible at any time up to but not after the close of business on May 1, 1976 or, in the case of any First Preference Shares Series A called for redemption, up to the close of business on the third business day prior to the date fixed for redemption, whichever is the earlier, into fully paid Common Shares of the Company at a conversion price of $33⅓ per Common Share, to be effected on the basis of 1½ Common Shares for each First Preference Share Series A converted. The provisions attaching to the First Preference Shares Series A will provide for adjustment of the conversion price in certain events including a subdivision, consolidation or other reclassification of the Common Shares and for the giving of notice to the holders of First Preference Shares Series A of any proposed payment of a stock dividend on the Common Shares or issue of subscription rights.

The Company shall not issue fractional shares upon any conversion but in lieu thereof the Company shall issue bearer non-voting and non-dividend bearing fractional certificates.

Restrictions

No dividends shall be declared or paid on the Common Shares or any other shares of the Company ranking junior to the First Preference Shares Series A, nor shall the Company retire any shares of the Company (except if all the outstanding First Preference Shares Series A are to be redeemed or purchased or the retirement is to be made out of the proceeds of an issue of junior shares), unless all dividends accrued to the last dividend payment date on the First Preference Shares Series A have been declared and paid or set apart for payment.

The Company shall not, without the approval of the holders of the First Preference Shares Series A, create any shares ranking in priority to the First Preference Shares, issue any shares ranking on a parity with the First Preference Shares Series A other than shares issued in compliance with the requirement set forth below or repay any capital paid up on any shares (other than the existing 8% Cumulative Redeemable Second Preference Shares) ranking junior to the First Preference Shares Series A.

The Company shall not, without the approval of the holders of the First Preference Shares Series A, issue any subsequent series of First Preference Shares or any shares ranking on a parity therewith unless Consolidated Net Earnings (as defined) for any four consecutive calendar quarters selected by the Company out of the eight calendar quarters next preceding the date of issue of such shares shall have been at least two and one half times the maximum annual dividend requirements on all First Preference Shares and shares ranking on a parity therewith to be outstanding.

Voting Rights

The holders of First Preference Shares are not entitled to attend or vote at meetings of shareholders unless the Company shall fail to pay in the aggregate eight quarterly dividends on the First Preference Shares of any one series. Thereafter, so long as dividends remain in arrears, the holders of First Preference Shares of all series will be entitled to attend meetings of shareholders and will be entitled to one vote in respect of each First Preference Share held.

Approval

The foregoing provisions that relate to the First Preference Shares as a class may not be varied without the approval of the holders of the First Preference Shares given in writing by the holders of at least two-thirds of the outstanding First Preference Shares or by a resolution passed at a meeting of the holders of the First Preference Shares called for such purpose and carried by the affirmative vote of not less than two-thirds of the votes cast at such meeting. As to any such variation of such provisions which especially affects the First Preference Shares Series A as a series, a similar approval of the holders of the First Peference Shares Series A must also be obtained.

Second Preference Shares

The following is a summary of the principal attributes attached to the 187,500 8% Cumulative Redeemable Second Preference Shares of the par value of $0.40 each (hereinafter called the "Second Preference Shares") as redesignated, subdivided and amended by the supplementary letters patent dated March 8, 1968.

Ranking and Voting Rights

The Second Preference Shares rank junior to the First Preference Shares and are entitled to preference to the extent stated below over the Common Shares and any other shares ranking junior to the Second Preference Shares. Each Second Preference Share entitles the holder thereof to one vote at all meetings of shareholders.

Dividends

The holders of Second Preference Shares are entitled to receive, as and when declared by the board of directors, fixed cumulative preferential cash dividends at the rate of 8% per annum payable on the first days of January, April, July and October. No dividend shall be declared or paid on the Common Shares or any other shares ranking junior to the Second Preference Shares unless all dividends up to and including the dividend payable for the last completed quarter on the Second Preference Shares shall have been declared and paid or set apart for payment.

Redemption

The Second Preference Shares are redeemable at the option of the Company in whole at any time or in part from time to time on not less than thirty days notice at a redemption price equal to 108% of the par value together with accrued and unpaid dividends.

Rights on Winding Up

In the event of winding up, the holders of Second Preference Shares are entitled to receive the amount paid up thereon together with all accrued dividends and, if such winding up is voluntary on the part of the Company except for the purpose of reorganization or reconstruction of the Company, a premium of 8% of the amount paid up on such shares, all in priority to the holders of Common Shares and any shares ranking junior to the Second Preference Shares.

Amendment

The provisions attaching to the Second Preference Shares may not be varied without the approval of such holders given in writing by the holders of at least two-thirds of the outstanding Second Preference Shares or by a resolution passed at a meeting of the holders of such shares called for such purpose and carried by the affirmative vote of not less than two-thirds of the votes cast at such meeting.

Common Shares

The holders of Common Shares without par value of the Company are entitled to one vote per share at all general meetings of shareholders of the Company and, subject to the priority of any shares ranking senior to the Common Shares, are entitled to dividends when and as declared by the board of directors and to share rateably in the net assets of the Company in the event of any liquidation, dissolution or winding up. The holders of Common Shares of the Company as such have no pre-emptive, conversion or subscription rights. The Common Shares issued upon conversion of the First Preference Shares Series A will be fully paid and non-assessable.

Dividend Restriction

Under the terms of the long term lease of the Company's plant, the Company has covenanted that it will not without the prior written consent of the Ontario Development Corporation, declare or pay any dividend, except stock dividends, on its Common Shares if, after giving effect thereto, the Consolidated Shareholders' Equity of the Company and its subsidiaries would be less than $3,000,000.

Dividend Policy

The Company, because of the expansion of its business and the need for working capital, has so far reinvested in the business its entire net earnings after dividends on the Second Preference Shares. No dividends have been paid on the Common Shares nor is it contemplated that such dividends will be paid in the near future. The payment of dividends will ultimately be determined by the board of directors on the basis of earnings, financial requirements and other relevant factors.

Prior Sales

On June 29, 1967, 200 Common Shares (as constituted prior to the 10 for 1 subdivision on November 23, 1967) were issued at a price of $12 per share to a key employee of the Company on the exercise in full of a stock option granted on February 15, 1966.

Asset Coverage

Based on the Pro Forma Consolidated Balance Sheet as at December 31, 1967 on page 24, the consolidated net tangible assets of the Company and its subsidiaries, after giving effect to the present financing will be $2,029,400, equivalent to $50.74 for each $50 par value First Preference Share Series A to be outstanding on completion of this financing.

Dividend Coverage

The maximum annual dividend requirements on the First Preference Shares Series A will amount to $104,000. The accompanying Pro Forma Consolidated Statement of Earnings on page 25 shows consolidated net earnings for the year ended June 30, 1967 amounting to $395,958, or approximately 3.8 times such maximum annual dividend requirements.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the First Preference Shares Series A and for the Common Shares of the Company is Montreal Trust Company at its principal office in Toronto, Ontario.

Shareholders and Management

Principal Shareholders

The following table sets forth the ownership beneficially and of record of each person or company owning of record, or to the knowledge of the Company beneficially, directly or indirectly, more than 10% of either class of equity shares of the Company as at February 29, 1968:

Name and Address	Designation of Class	Type of Ownership	No. of Shares Owned	Percentage of Class
A. Barnet MacLaren 270 Buchan Road, Ottawa, Ontario	Second Preference (*)	Beneficial	125,000	66.7%
A. Roy MacLaren 80 Placel Road, Ottawa, Ontario	Second Preference (*)	Beneficial & Record	37,500	20%
Harmac Securities Limited 180 John Street, Buckingham, P.Q.	Second Preference (*)	Record	25,000	13.3%
Holcan Limited 21 Hudson Drive, Toronto, Ontario	Common	Record	70,000	11%

(*)This table gives effect to the supplementary letters patent dated on March 8, 1968 redesignating, subdividing and modifying the terms of these shares.

As at February 29, 1968, the directors and senior officers of the Company, as a group, beneficially owned, directly or indirectly, 29.3% of the outstanding Common Shares of the Company.

Directors and Officers

The directors and officers of the Company and their principal occupation for the past five years are as stated below:

Name and address	Office	Principal Occupation
John Joseph Shepherd 242 High Street Carleton Place, Ontario.	President and Director	President of the Company
John Richard Brian Steacie 246 High Street Carleton Place, Ontario.	Vice President and Director	Vice President of the Company
Maurice Price 238 Blair Street Carleton Place, Ontario.	Secretary and Director	Secretary of the Company
Mark Walter Bormann 1199 Stanton Road Ottawa, Ontario.	Treasurer and Director	Treasurer of the Company
John Lachlin MacKay 10 Huntley Street Toronto, Ontario.	Director	Investment Dealer, Harris & Partners Limited
Albert Douglas Holt 1770 De Gros Bois St. Bruno, Quebec.	Director	President, New York Wire Works Limited

The only directors or officers who have not held their present occupation for the preceding five years are J. L. MacKay who prior to March 1964, was a securities salesman with Dominion Securities Corporation Limited and A. D. Holt who prior to January 1, 1966 was President of Lok Form Limited and Cogan Wire & Metal Products Limited.

Remuneration

The aggregate direct remuneration paid or payable by the Company to its senior officers for the financial year ended June 30, 1967 was $71,728 and for the eight months ended February 29, 1968 was $50,905.

The estimated cost to the Company in the financial year ended June 30, 1967 of all pension benefits to be paid in the aggregate under company pension plans in the event of retirement at normal retirement age of the senior officers of the Company is $2,265.

No remuneration has been paid or is payable, nor has any cost been incurred for benefits under company pension plans, by the Company to or for its directors as such, or by any subsidiary of the Company to or for any director or senior officer of the Company.

Stock Options

On January 12, 1968, the Company granted to certain senior officers and key employees of C. R. Snelgrove Co. Limited options to purchase an aggregate of 4,000 Common Shares of the Company. Certain particulars of these options are as follows:

Shares Optioned to		Exercise	Market Value Per Share		
Senior Officers	Other Employees	Price Per Share	January 12, 1968	February 29, 1968	Expiry Date
3,250	750	$31.87	$37.50	$26.50	Jan. 12, 1973

Material Contracts

In addition to the agreement and options referred to under the heading "Underwriting" and "Stock Options", the Company and its subsidiaries have entered within the two preceding years into the following material contracts which are outside the ordinary course of their respective businesses:

(1) Loan agreement dated August 1, 1966 between the Ontario Development Corporation and the Company;

(2) Construction contract dated August 1, 1966 between the Company and William Teron Limited relating to an addition to the Company's facilities;

(3) Lease dated October 1, 1966 from the Ontario Development Corporation to the Company relating to the Company's facilities in Carleton Place, Ontario, as amended by two amending agreements bearing the said date;

(4) Option agreement dated October 1, 1966 between The Corporation of the Town of Carleton Place, The Board of Park Management of the Town of Carleton Place and the Company, granting the latter an option to purchase land adjoining its facilities; and Assignment dated October 1, 1966 of the said option agreement, from the Company to the Ontario Development Corporation;

(5) Hypothecation agreement dated October 1, 1966 between the Company and the Ontario Development Corporation, lodging with the latter the Company's 7½% Debenture;

(6) Agreement dated May 1, 1967 between Leigh Systems, Inc. and Dutch Hill Realty Corp. relating to the construction and the lease of its plant.

(7) Licensing agreement dated July 1, 1967 between the Company and Canadian Patents and Development Limited relating to patents applicable to certain products of the Company.

(8) Agreement dated December 18, 1967 between the Company and G. R. Wooll, G. H. Foster, G. Mitchell and H. B. Picken relating to the purchase by the Company of all the outstanding shares of Avionics Limited;

(9) Agreement dated December 20, 1967 between the Company and C. R. Snelgrove, M. E. Snelgrove, D. Snelgrove and W. C. Hickling relating to the purchase by the Company of all the outstanding shares of C. R. Snelgrove Co. Limited.

(10) Agreement made March 7, 1968 between the Company and the Ontario Development Corporation relating to a modification of the lease of its plant and repayment of a loan from the said Corporation.

Copies of the foregoing agreements may be examined during normal business hours at the head office of the Company during the period of primary distribution of the First Preference Shares Series A and for a period of thirty days thereafter.

Management Interest

John L. MacKay, a director of the Company, is an employee of Harris & Partners Limited which is a party to the contract with the Company referred to under the heading "Underwriting" and which, under an agreement dated October 22, 1965 with the Company, was appointed agent to effect the sale of 21,250 Common Shares of the Company subject to payment of a commission of $4,620.

J. J. Shepherd, M. Price, J. R. B. Steacie and A. D. Holt, directors and, except for A. D. Holt, senior officers of the Company, are parties to an agreement dated October 28, 1965 between them, C. W. Mott, the Company and Harris & Partners Limited, by which such individuals agreed to cause to be elected and maintained as a director of the Company for ten years from November 15, 1965, such person, if any, as Harris & Partners Limited may designate, and by which provision was made for the employment of Messrs. J. J. Shepherd, M. Price and J. R. B. Steacie as executive of the Company up to June 30, 1970 and limitations were established on the remuneration of the directors and officers of the Company.

Dividend Record

Due to restrictions on the payment of dividends provided under the terms of certain now retired long term debt of the Company, dividends on the Second Preference Shares fell into arrears from the first payment date in 1964. All dividends accrued on such shares up to and including the last dividend payment date and amounting to $32.712 per share (as originally constituted into 750 shares with a par value of $100 each), were paid to the extent of $12.712 per share on October 3, 1966, $16 per share on November 2, 1967 and $4 per share on March 11, 1968.

Auditors

The auditors of the Company are McDonald, Currie & Co., Chartered Accountants, 151 Slater Street, Ottawa, Ontario.

Leigh Instruments Limited
(Incorporated under the laws of Canada)

Balance Sheet as at June 30, 1967
and
Consolidated Balance Sheet as at December 31, 1967

Assets	June 30, 1967	December 31, 1967 (unaudited)
CURRENT ASSETS		
Accounts receivable (note 2)	$1,306,502	$1,243,523
Government incentive grant receivable	210,172	295,093
Inventories (notes 2 and 3)	215,538	203,579
Prepaid expenses	4,174	8,144
	1,736,386	1,750,339
INVESTMENT IN SUBSIDIARIES		
Deposit on purchase of shares	—	175,000
FIXED ASSETS		
Machinery and equipment (note 4)	496,322	608,208
Accumulated depreciation	230,069	285,257
	266,253	322,951
LEASEHOLD IMPROVEMENTS (notes 4 and 5)	137,982	132,149
	$2,140,621	$2,380,439
Liabilities		
CURRENT LIABILITIES		
Bank advances (secured)	$ 499,118	$ 749,884
Accounts payable and accrued liabilities	477,669	241,385
Income and sundry taxes	41,623	121,782
Current portion of long-term debt	7,118	7,219
	1,025,528	1,120,270
LONG-TERM DEBT (note 6)	33,940	32,136
PROVISION FOR RESEARCH AND DEVELOPMENT (note 7)	155,551	127,631
PROVISION FOR WARRANTY REPAIRS	25,211	41,807
DEFERRED INCOME TAXES	127,898	116,223
	1,368,128	1,438,067
Shareholders' Equity		
CAPITAL STOCK (note 8)	353,498	353,498
RETAINED EARNINGS	418,995	588,874
	772,493	942,372
	$2,140,621	$2,380,439

Approved on behalf of the Board

(Signed) J. J. SHEPHERD, Director

(Signed) M. BORMANN, Director

See accompanying notes

Leigh Instruments Limited

Statement of Earnings

	Year ended June 30					Six months ended December 31 (unaudited)	
	1963	1964	1965	1966	1967	1967	1966
Sales	$77,039	$461,526	$844,158	$2,645,174	$4,083,588	$2,758,424	$1,798,265
Cost of sales	80,332	400,690	774,785	2,409,149	3,712,964	2,471,632	1,572,856
Depreciation and amortization	13,823	22,566	25,450	62,729	135,998	64,152	65,324
Interest	7,477	9,049	13,086	10,671	12,784	17,077	5,037
	101,632	432,305	813,321	2,482,549	3,861,746	2,552,861	1,643,217
Net earnings (loss) from operations	(24,593)	29,221	30,837	162,625	221,842	205,563	155,048
General incentive grant for industrial research and development	—	—	—	54,203	155,969	84,921	60,129
Non-recurring charges	—	—	—	(33,008)	—	—	—
	—	—	—	21,195	155,969	84,921	60,129
	(24,593)	29,221	30,837	183,820	377,811	290,484	215,177
Income taxes —							
Current	(11,557)	(1,967)	2,840	25,823	22,600	120,280	15,145
Deferred	(736)	3,673	9,909	22,276	89,316	(11,675)	55,330
	(12,293)	1,706	12,749	48,099	111,916	108,605	70,475
Net earnings (loss) for the period	$(12,300)	$ 27,515	$ 18,088	$ 135,721	$ 265,895	$ 181,879	$ 144,702

Statement of Retained Earnings

	Year ended June 30					Six months ended December 31 (unaudited)	
	1963	1964	1965	1966	1967	1967	1966
Retained earnings (deficit) — beginning of period	$(6,390)	$(18,690)	$ 8,825	$ 26,913	$162,634	$418,995	$162,634
Net earnings (loss) for the period	(12,300)	27,515	18,088	135,721	265,895	181,879	144,702
	(18,690)	8,825	26,913	162,634	428,529	600,874	307,336
Dividends on preference shares	—	—	—	—	9,534	12,000	—
Retained earnings (deficit) — end of period	$(18,690)	$ 8,825	$26,913	$162,634	$418,995	$588,874	$307,336

See accompanying notes

Notes to Financial Statements

1. Basis of Statement Presentation

(a) Adjustments to earnings

The following items have been allocated to the years to which they apply:

(i) General Incentive Grants for Industrial Research and Development

In September and December 1967 the company applied for grants applicable to the years ended June 30, 1966 and 1967 which have been allocated to those respective years.

(ii) Income Taxes

In order to claim the grants referred to above, the company revised its claims for research expenditures under Section 72A of the Income Tax Act. The resulting increases in income taxes have been allocated to the respective years 1966 and 1967.

The income tax reduction arising from the loss carry-over provisions has been allocated to 1963, the year of the loss.

(iii) Deferred Income Taxes

Income taxes payable have been reduced by claiming for income tax purposes capital expenditures for research and capital cost allowance in excess of depreciation and amortization recorded in the accounts as follows:

	Year ended June 30					Six months ended December 31 (unaudited)	
	1963	1964	1965	1966	1967	1967	1966
Depreciation and Amortization Recorded	$13,823	$22,566	$25,450	$62,729	$135,998	$64,152	$65,324
Claimed for Income Tax Purposes	12,407	33,765	57,138	105,568	307,760	41,700	171,728

The resulting reductions in income taxes payable, which have been allocated to the years in which the claims were made, are applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and accordingly are included in the balance sheet as "Deferred income taxes".

Basis of Statement Presentation (continued)

(b) United States subsidiary

(i) The U.S. subsidiary, Leigh Systems, Inc., commenced operations during July 1967. Thus only the unaudited balance sheet as at December 31, 1967 and the unaudited statement of earnings and retained earnings for the six months ended December 31, 1967 are consolidated statements.

(ii) The accounts of Leigh Systems, Inc. have been converted from U.S. dollars at the following rates of exchange:

Current assets and current liabilities at rate at December 31, 1967
Fixed assets at rates at date of acquisition
Revenue and expenses at the average rate for the six months.

2. Security for Bank Advances

Accounts receivable and inventories have been pledged as security for bank advances.

3. Inventories

Inventories are classified as follows:

	June 30, 1967	December 31, 1967
Work in process — at the lower of cost or net realizable value	$176,420	$165,525
Raw materials — at the lower of cost or replacement cost	39,118	38,054
	$215,538	$203,579

4. Long-Term Lease

Effective October 1, 1966 the company financed a building extension through Ontario Development Corporation as follows:

(a) Sold its land and buildings for $50,000.
(b) Had a building extension constructed at a cost of $359,480 of which $320,000 was financed under the long-term lease.
(c) Signed a net lease to occupy the entire property for a term of eight years at an annual rent of $61,205.
(d) Obtained a 7½% loan from Ontario Development Corporation secured by a debenture with a first and specific charge on all machinery tools and equipment and a floating charge on all property and assets, present and future.

5. Leasehold Improvements

This is the remaining undepreciated balance of the buildings sold and the cost of leasehold improvements which is being amortized over the eight year term of the lease described in note 4.

6. Long-Term Debt

Long-term debt is as follows:	June 30, 1967	December 31, 1967
Government of Canada capital assistance repayable in annual instalments of $4,153	$12,460	$12,460
7½% loan from Ontario Development Corporation maturing in monthly instalments of $415 principal and interest	28,598	26,895
	41,058	39,355
Less: Current portion	7,118	7,219
	$33,940	$32,136

7. Provision for Research and Development

Under the terms of the company's research and development programmes supported by the Government of Canada the company is committed to reinvest in further research and development that portion of the resultant profits in excess of amounts deemed fair and reasonable or to repay that portion to the Government of Canada. This provision is the unspent portion of this commitment.

8. Capital Stock

(a) Authorized —

750 8% Class A cumulative preference shares of a par value of $100 each, redeemable at $108

100,000 common shares without nominal or par value (June 30, 1967)

1,000,000 common shares without nominal or par value (after subdivision on the basis of 10 new shares for each share in accordance with Supplementary Letters Patent dated November 23, 1967)

(b) Issued and fully paid —	June 30, 1967	December 31, 1967
750 Class A preference shares	$ 75,000	$ 75,000
63,422 common shares (including 200 shares issued for cash during the year ended June 30, 1967)	278,498	—
634,220 common shares	—	278,498
	$353,498	$353,498
(c) Arrears of dividends on Class A preference shares	$ 12,000	$ 1,500

Capital Stock (continued)

(d) In 1963, 38 preference shares of a par value of $100 each were issued for $2,275 cash and services valued at $1,525 and 1,111 common shares were issued for services valued at $11. As a result of a conversion of the preferred shares in 1965 and subdivisions of common shares in October 1965 and November 1967 these shares became 5,040 and 12,030 common shares respectively.

9. Directors' Remuneration

No directors' fees were paid. The salaries of the directors and senior officers employed by the company for the year ended June 30, 1967 totalled $71,728 and for the six months ended December 31, 1967 totalled $38,927.

Auditors' Report

To the Directors,
Leigh Instruments Limited,

We have examined the balance sheet of Leigh Instruments Limited as at June 30, 1967 and the statements of earnings and retained earnings for the five years ended June 30, 1963 to 1967. Our examination for the years 1964 to 1967 included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of another auditor who examined the accounts of the company for the year 1963.

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1967 and the results of its operations for the five years then ended, in accordance with generally accepted accounting principles applied on a consistent basis as stated in Note 1(a) with which we concur.

Ottawa, Ontario,
April 15, 1968

(Signed) McDonald, Currie & Co.
Chartered Accountants

C. R. Snelgrove Co. Limited

(Incorporated under the laws of Ontario)

Balance Sheet

Assets	October 31, 1967	December 31, 1967 (unaudited)
Current:		
Accounts receivable (less allowance for doubtful accounts of $7,000)	$310,371	$347,335
Inventories, at the lower of cost or net realizeable value—		
Raw materials	84,355	78,272
Work in process	77,080	77,080
Finished goods	2,436	2,436
	163,871	157,788
Prepaid expenses	5,059	5,790
Total Current Assets	479,301	510,913
Fixed at Cost:		
Land	33,428	33,428
Buildings	81,562	81,562
Machinery and equipment	274,956	279,693
Automobiles	17,227	17,227
	407,173	411,910
Less accumulated depreciation	202,581	207,332
	204,592	204,578
	$683,893	$715,491

Liabilities

Current:		
Bank indebtedness against which accounts receivable have been pledged	$ 82,592	$ 91,968
Accounts payable and accrued charges	91,535	53,776
Income and other taxes payable	64,205	94,117
Long-term debt instalments due within one year	2,353	2,353
Total Current Liabilities	240,685	242,214
Deferred Income Taxes	35,100	35,100
Long-Term:		
Interest-free loan payable in annual instalments, due January 22, 1974	15,548	15,548
Less instalments due within one year	2,353	2,353
	13,195	13,195
Shareholders' Equity:		
Capital —		
5% non-cumulative preference shares, $10.00 par value, redeemable at $10.10:		
Authorized — 1,061 shares		
Common shares, no par value:		
Authorized — 20,000 shares		
Issued — 8,423 shares	8,315	8,315
Retained earnings	386,598	416,667
	394,913	424,982
	$683,893	$715,491

Approved on behalf of the Board,

(Signed) J. J. Shepherd, Director

(Signed) M. Bormann, Director

C. R. Snelgrove Co. Limited

Statement of Earnings

	Fiscal Year Ended					Two Months Ended December 31, (unaudited)	
	July 31, 1963	July 31, 1964	Oct. 31, 1965 (15 months)	Oct. 31, 1966	Oct. 31, 1967	1967	1966
Net sales	$752,310	$1,000,571	$1,593,442	$1,597,593	$1,403,044	$261,551	$218,852
Cost of sales	618,030	814,299	1,433,565	1,513,189	1,234,880	196,778	217,152
Depreciation and amortization	20,308	18,461	29,700	27,663	30,343	4,750	4,734
Interest	2,393	1,580	2,665	5,332	7,056	903	1,109
	640,731	834,340	1,465,930	1,546,184	1,272,279	202,431	222,995
Earnings (loss) before income taxes	111,579	166,231	127,512	51,409	130,765	59,120	(4,143)
Income Taxes:							
Current	41,700	64,300	36,700	8,000	54,500	29,051	(953)
Deferred	—	14,000	14,000	3,500	3,600	—	—
	41,700	78,300	50,700	11,500	58,100	29,051	(953)
Net earnings (loss)	$ 69,879	$ 87,931	$ 76,812	$ 39,909	$ 72,665	$ 30,069	$ (3,190)

Statement of Retained Earnings

	Fiscal Year Ended					Two Months Ended December 31, (unaudited)	
	July 31, 1963	July 31, 1964	Oct. 31, 1965 (15 months)	Oct. 31, 1966	Oct. 31, 1967	1967	1966
Balance, beginning of period	$130,671	$159,350	$197,212	$274,024	$313,933	$386,598	$313,933
Add net earnings (loss)	69,879	87,931	76,812	39,909	72,665	30,069	(3,190)
Deduct past service pension contributions, less applicable income tax credits	(41,200)	(50,069)	—	—	—	—	—
Balance, end of period	$159,350	$197,212	$274,024	$313,933	$386,598	$416,667	$310,743

Auditors' Report

To the Directors,
C. R. Snelgrove Co. Limited:

We have examined the balance sheet of C. R. Snelgrove Co. Limited as at October 31, 1967 and the statements of earnings and retained earnings for the five fiscal years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of the company as at October 31, 1967 and the results of its operations for the five fiscal years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario,
April 15, 1968.

(Signed) Clarkson, Gordon & Co.
Chartered Accountants.

Avionics Limited

(Incorporated under the laws of Ontario)

Balance Sheet as at December 31, 1967

Assets

CURRENT:	
Cash	$ 790
Accounts receivable	36,762
Inventories valued at the lower of cost or net realizeable value—	
Raw materials and purchased parts	8,266
Work in process	2,123
	10,389
Prepaid expenses	1,246
TOTAL CURRENT ASSETS	49,187
FIXED:	
Equipment — at cost	18,852
Less accumulated depreciation	14,819
	4,033
	$53,220

Liabilities

CURRENT:	
Accounts payable and accrued charges	$ 8,755
Taxes payable	4,419
TOTAL CURRENT LIABILITIES	13,174
SHAREHOLDERS' EQUITY:	
Capital stock —	
Authorized:	
10,895 5% non-cumulative redeemable preference shares of $10 each	
3,000 common shares of no par value	
Issued:	
400 preference shares	4,000
379 common shares	3,911
	7,911
Retained earnings	32,135
	40,046
	$53,220

Approved on behalf of the Board:

(Signed) J. J. SHEPHERD, Director

(Signed) M. BORMANN, Director

See accompanying notes

Avionics Limited

Statement of Earnings

	Year Ended December 31,				
	1963	1964	1965	1966	1967
Sales	$87,710	$86,976	$99,300	$118,635	$160,594
Cost of sales	83,921	88,483	95,235	109,330	139,347
Depreciation and amortization	1,271	1,097	939	765	782
Interest	512	522	831	666	518
	85,704	90,102	97,005	110,761	140,647
Net earnings (loss) from operations	2,006	(3,126)	2,295	7,874	19,947
Income taxes (note 2)	460	(760)	500	1,900	4,540
Net earnings (loss) for the year	$ 1,546	$(2,366)	$ 1,795	$ 5,974	$ 15,407

Statement of Retained Earnings

	Year Ended December 31,				
	1963	1964	1965	1966	1967
Retained earnings—beginning of year	$ 9,779	$11,325	$ 8,959	$10,754	$16,728
Net earnings (loss) for the year	1,546	(2,366)	1,795	5,974	15,407
Retained earnings—end of year	$11,325	$8,959	$10,754	$16,728	$32,135

See accompanying notes

Notes to Financial Statements

1. The company has leased premises with an annual fixed rental of $3,504, exclusive of taxes, insurance and other expenses, expiring January 31, 1973. A portion of this building has been sublet for the remainder of the lease period.
2. The income tax provision reflects amounts actually payable or recoverable for each year excluding any income tax deferred by claiming additional capital cost allowances, the amount of which would be relatively immaterial and excluding tax reductions arising from application of losses of other years. Income taxes recoverable, arising from losses for tax purposes, have been reflected in the year of loss.

Auditors' Report

To the Directors,
AVIONICS LIMITED:

We have examined the balance sheet of Avionics Limited as at December 31, 1967 and the statements of earnings and retained earnings for the five years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of the company as at December 31, 1967 and the results of its operations for the five years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Hamilton, Ontario
April 15, 1968

(Signed) CLARKSON, GORDON & CO.
Chartered Accountants.

Leigh Instruments Limited
and Subsidiary Companies

Pro Forma Consolidated Balance Sheet as at December 31, 1967
(Unaudited)

Assets

Current Assets	
Accounts receivable (less allowances for doubtful accounts of $7,000 (note 5))	$1,627,710
Government incentive grants receivable	295,093
Inventories (notes 5 and 6)	371,756
Prepaid expenses	15,091
	2,309,650
Fixed Assets	
Land	33,428
Buildings	75,553
Machinery and equipment	929,989
Cost	1,038,970
Accumulated depreciation	507,408
	531,562
Leasehold Improvements (note 7)	132,149
Rent Paid in Advance (note 11)	61,205
Excess of Cost of Shares of Subsidiary Companies Over Net Book Value of Assets Acquired	798,972
	$3,833,538

Liabilities

Current Liabilities	
Bank advances (secured)	$ 132,161
Accounts payable and accrued liabilities	316,976
Income and sundry taxes	207,259
Current portion of long-term debt	6,506
	662,902
Long-Term Debt (note 8)	21,502
Provision for Research and Development (note 9)	127,631
Provision for Warranty Repairs	41,808
Deferred Income Taxes	151,323
	1,005,166

Shareholders' Equity

Capital Stock (note 10)	2,353,498
Retained Earnings	474,874
	2,828,372
	$3,833,538

Approved on behalf of the Board

(Signed) J. J. Shepherd, Director

(Signed) M. Bormann, Director

See accompanying notes

Leigh Instruments Limited and Subsidiary Companies

Pro Forma Consolidated Statement of Earnings

	Year Ended June 30					Six Months Ended December 31 (unaudited)	
	1963	1964	1965	1966	1967	1967	1966
Sales	$902,814	$1,561,442	$2,113,661	$4,198,947	$5,753,429	$3,533,911	$2,637,256
Cost of sales	772,889	1,305,486	1,867,849	3,940,621	5,173,330	3,151,283	2,359,020
Depreciation and amortization	35,517	42,211	48,483	94,408	159,529	81,400	74,962
Interest	10,160	11,092	16,280	14,238	21,822	19,568	9,198
	818,566	1,358,789	1,932,612	4,049,267	5,354,681	3,252,251	2,443,180
Net earnings from operations	84,248	202,653	181,049	149,680	398,748	281,660	194,076
Add: Adjustment of executive remuneration of a subsidiary (note 12 (c))	45,000	50,000	90,000	115,000	83,000	33,000	50,000
Pro forma net earnings from operations	129,248	252,653	271,049	264,680	481,748	314,660	244,076
General incentive grant for industrial research and development	—	—	—	54,203	155,969	84,921	60,129
Non-recurring charges	—	—	—	(33,008)	—	—	—
	—	—	—	21,195	155,969	84,921	60,129
	129,248	252,653	271,049	285,875	637,717	399,581	304,205
Income taxes (notes 12(c) and 12(d)) —							
Current	53,659	92,078	101,984	79,260	147,743	183,247	62,433
Deferred	(736)	17,673	23,909	24,076	94,016	(11,075)	57,030
	52,923	109,751	125,893	103,336	241,759	172,172	119,463
Pro forma net earnings for the period	$ 76,325	$142,902	$145,156	$182,539	$395,958	$227,409	$184,742

See accompanying notes

Notes to Pro Forma Consolidated Financial Statements

Basis of Pro Forma Consolidated Statements

1. The Pro Forma Consolidated Balance Sheet includes the accounts of Leigh Systems, Inc. and the wholly-owned subsidiaries subsequently acquired, C. R. Snelgrove Co. Limited and Avionics Limited.
2. The Pro Forma Consolidated Statement of Earnings and Retained Earnings includes the accounts of the parent and subsidiary companies owned and acquired as follows:
   (a) Leigh Instruments Limited for the five years ended June 30, 1963 to 1967 and the two six months periods ended December 31, 1966 and 1967.
   (b) C. R. Snelgrove Co. Limited for the five years ended June 30, 1963 to 1967, and the two six months periods ended December 31, 1966 and 1967.
   (c) Avionics Limited for the five years ended June 30, 1963 to 1967, and the two six months periods ended December 31, 1966 and 1967.
   (d) Leigh Systems, Inc. for the six months ended December 31, 1967 only, as this company commenced operations during July, 1967.
3. The accounts of Leigh Systems, Inc. have been converted from U.S. dollars at the following rates of exchange:
   (i) Current assets and current liabilities at rate at December 31, 1967.
   (ii) Fixed assets at rates at date of acquisition.
   (iii) Revenue and expenses at the average rate for the six months.

Pro Forma Consolidated Balance Sheet

4. The Pro Forma Consolidated Balance Sheet gives effect, as at December 31, 1967, to the under-noted transactions and proposed transactions:
   (a) The issue of supplementary letters patent dated March 8, 1968.
      (i) Subdividing the 750 8% Class A cumulative preference shares of a par value of $100 each into 187,500 voting shares of a par value of 40¢ redeemable at 108% and designated as 8% cumulative redeemable second preference Shares.
      (ii) Creating 100,000 Cumulative, Redeemable First Preference shares of a par value of $50 each, issuable in series.
   (b) The issue, for an aggregate consideration of $2,000,000 of 40,000 $2.60 Cumulative Redeemable Convertible First Preference Shares Series A designated by resolution of the board of directors passed on April 15, 1968 to be confirmed by supplementary letters patent.

(c) The application of the proceeds of issue to:

(i) The purchase of all of the issued shares of C. R. Snelgrove Co. Limited and Avionics Limited for $1,264,000 cash.

(ii) The payment of underwriters' commission of $90,000 and of estimated expenses of issue of $24,000 and the charge of these amounts to consolidated retained earnings.

(iii) The payment of $61,205 rent in advance under renegotiated terms of the long-term lease. (note 11)

(iv) The repayment of the 7½% loan of $26,895 from the Ontario Development Corporation. (note 11)

(v) The application of the remainder of the proceeds to reduce the operating bank loan.

5. Security for bank advances

Accounts receivable and inventories have been pledged as security for bank advances.

6. Inventories

Inventories are classified as follows:

Finished goods—at the lower of cost or net realizeable value	$ 2,436
Work in process—at the lower of cost or net realizable value	186,827
Raw materials—at the lower of cost or replacement cost	182,493
	$371,756

7. Leasehold improvements

This is the remaining undepreciated balance of the buildings sold and the cost of leasehold improvements which is being amortized over eight years.

8. Long-term debt

Long-term debt is as follows:

Government of Canada, capital assistance loans, interest free	
—due in 1971, repayable in annual instalments of $4,153	$12,460
—due in 1974, repayable in annual instalments of $2,353	15,548
	28,008
Less: Current portion	6,506
	$21,502

9. Provision for research and development

Under the terms of the parent company's research and development programmes supported by the Government of Canada the company is committed to reinvest in further research and development that portion of the resultant profits in excess of the amounts deemed fair and reasonable or to repay that portion to the Government of Canada. This provision is the unspent portion of this commitment.

10. Capital stock

(a) Authorized by supplementary letters patent dated March 8, 1968

100,000 Cumulative Redeemable First Preference Shares of a par value of $50 each, issuable in series

187,500 8% cumulative redeemable second preference Shares of a par value of 40¢ each, redeemable at 108%, carrying one vote per share.

1,000,000 common shares without nominal or par value

(b) Issued and fully paid—

40,000 $2.60 Cumulative Redeemable Convertible First Preference Shares Series A, redeemable at $52, issued for cash	$2,000,000
187,500 Second Preference shares	75,000
634,220 common shares	278,498
	$2,353,498

(c) Stock options

Stock options have been granted to certain employees for 4,000 common shares at a price of $31.87 each exercisable until January 12, 1973.

(d) Common shares reserved

60,000 Common shares have been reserved to cover the conversion privileges of the Cumulative Redeemable Convertible First Preference Shares Series A.

(e) Arrears of dividends

Dividends on Class A preference shares are in arrears by $1,500; all dividends up to and including the dividend due July 1, 1967 have been paid.

11. Long-term leases

(a) On March 7, 1968 the parent company renegotiated its lease and its loan agreement with Ontario Development Corporation to provide for:

(i) Continued occupation of the buildings at Carleton Place, Ontario, for a term of ten years ending December 31, 1976 at the same annual rent of $61,205.

(ii) Payment of $61,205 as rent in advance to be applied to the final year's rent.

(iii) An option to purchase the land and buildings on December 31, 1974 at a price to be negotiated, not to exceed $50,000.

(iv) Repayment of the outstanding loan of $26,895, cancellation of the loan agreement and discharge of the debenture with a first charge on machinery, tools and equipment and a floating charge on all property and assets.

(v) Restriction on the payment of dividends on common shares if after giving effect to such payments the shareholders' equity would be less than $3,000,000.

(b) The subsidiary companies occupy premises at an annual rental of $15,564.

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS

12. Adjustments to earnings

(a) The earnings of the parent company have been adjusted as described in Note 1(a) on page 17.

(b) the earnings of the two newly-acquired subsidiaries (which had year ends other than June 30) have been restated to a June 30 basis.

(c) the earnings of one of the newly acquired subsidiaries have been adjusted to reflect the elimination of remuneration paid to officers of that company who retired following the change of ownership, and whose duties are expected, in future, to be carried out by the remaining officers of the combined group of companies. Adjustments have also been made to provide for the related increase in income taxes.

(d) The provisions for income taxes have been adjusted to the amounts they would have been if the companies had been associated during the periods.

Auditors' Report

To the Directors,
LEIGH INSTRUMENTS LIMITED,

We have examined the pro forma consolidated statement of earnings of Leigh Instruments Limited for the five years ended June 30, 1963 to 1967. Our examination of the accounts of the parent company for the years 1964 to 1967 included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of another auditor who examined the accounts for the year 1963. We have relied on the reports of the auditors who examined the statements of earnings of the subsidiary companies.

In our opinion this pro forma consolidated financial statement presents fairly the results of their pro forma operations for the five years ended June 30, 1963 to 1967, in accordance with generally accepted accounting principles applied on a consistent basis.

Ottawa, Ontario,
April 15, 1968

(Signed) McDONALD, CURRIE & Co.
Chartered Accountants

Dated: April 15, 1968

Certificate of Company

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder.

(Signed) J. J. SHEPHERD
President

(Signed) M. BORMANN
Treasurer

On behalf of the Board of Directors, by

(Signed) M. PRICE, *Director*

(Signed) J. R. B. STEACIE, *Director*

Certificate of Underwriter

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder.

HARRIS & PARTNERS LIMITED
By: (Signed) N. K. McKINNON

The following includes the name of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of Harris & Partners Limited: W. C. Harris, W. B. Harris, Baring Brothers & Co. Ltd. and Morgan Grenfell & Co. Limited.

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APPENDIX I

LEIGH INSTRUMENTS LIMITED

ANALYSIS OF DIVIDENDS IN ARREARS — 8% PREFERRED
AT DATES AS INDICATED

DATE	# OF SHARES	CALCULATION	ACCRUED	PAID	ARREARS CUMULATIVE
Dec. 31, 1963	750	34/365 x 8% of $75,000.	$ 558.91	—	$ 558.91
Mar. 31, 1964	750	90/365 x 8% of 75,000.	1,479.45	—	2,038.36
June 30, 1964	750	91/365 x 8% of 75,000.	1,495.89	—	3,534.25
Sept. 30, 1964	750	¼ x 8% of 75,000.	1,500.00	—	5,034.25
Dec. 31, 1964	750	¼ x 8% of 75,000.	1,500.00	—	6,534.25
Mar. 31, 1965	750	¼ x 8% of 75,000.	1,500.00	—	8,034.25
June 30, 1965	750	¼ x 8% of 75,000.	1,500.00	—	9,534.25
Sept. 30, 1965	750	¼ x 8% of 75,000.	1,500.00	—	11,034.25
Dec. 31, 1965	750	¼ x 8% of 75,000.	1,500.00	—	12,534.25
Mar. 31, 1966	750	¼ x 8% of 75,000.	1,500.00	—	14,034.25
June 30, 1966	750	¼ x 8% of 75,000.	1,500.00	—	15,534.25
Sept. 28, 1966	—	See Attached	—	9,534.25	6,000.00
Sept. 30, 1966	750	¼ x 8% of 75,000.	1,500.00	—	7,500.00
Dec. 31, 1966	750	¼ x 8% of 75,000.	1,500.00	—	9,000.00
Mar. 31, 1967	750	¼ x 8% of 75,000.	1,500.00	—	10,500.00
June 30, 1967	750	¼ x 8% of 75,000.	1,500.00	—	12,000.00
Sept. 30, 1967	750	¼ x 8% of 75,000.	1,500.00	—	13,500.00
Oct. 30, 1967	—	See Attached	—	12,000.00	1,500.00
Dec. 31, 1967	750	¼ x 8% of 75,000.	1,500.00	—	3,000.00
Mar. 11, 1968	—	See Attached	—	3,000.00	—
Mar. 31, 1968	750	¼ x 8% of 75,000.	1,500.00	—	1,500.00

6th May, 1968
Attachment

APPENDIX Ia

LEIGH INSTRUMENTS LIMITED

PAYMENT OF PREFERRED DIVIDEND

DATE PAID	CHEQUE NO.	PAID TO	PERIOD COVERED BY CHEQUE	AMOUNT
Sept. 28, 1966	7701	Harmac Securities Limited	To 30 June, 1965	$ 1,271.23
Sept. 28, 1966	7702	MacBar Investments Limited	To 30 June, 1965	6,356.17
Sept. 28, 1966	7703	Mr. A. Roy MacLaren	To 30 June, 1965	1,906.85
		Sent with Covering Letter 3 Oct., 1966		$ 9,534.25
Oct. 30, 1967	14414	Harmac Securities Limited	To 30 June, 1967	1,600.00
Oct. 30, 1967	14415	MacBar Investments Limited	To 30 June, 1967	8,000.00
Oct. 30, 1967	14410	Mr. A. Roy MacLaren	To 30 June, 1967	2,400.00
		Sent with Covering Letter 2 Nov., 1967		$12,000.00
Mar. 11, 1968	2075	Harmac Securities Limited	To 31 Dec., 1967	400.00
Mar. 11, 1968	2076	MacBar Investments Limited	To 31 Dec., 1967	2,000.00
Mar. 11, 1968	2077	Mr. A. Roy MacLaren	To 31 Dec., 1967	600.00
				$ 3,000.00

6th May, 1968

APPENDIX II

LEIGH INSTRUMENTS LIMITED

STATEMENT OF INDIVIDUAL ISSUE OF SHARES FROM SEPTEMBER 14, 1961 TO MAY 7, 1968 INCLUSIVE

Date of Issue	8% Class B Cumulative Preference Shares Par Value $10.00 Each: Number	Amount per Share Realized	Total Amount Realized	Paid in Cash	Paid in Service	Common Shares No Par Value: Number	Amount per Share Realized	Total Amount Realized	Paid in Cash	Paid in Service
1. Sept. 14/61	400	$100.00	$40,000.00	$32,978.63	$7,021.37	5	$ 1.00	$ 5.00	$ 5.00	
Sept. 14/61						19995	.01	199.95	199.95	
2. Mar. 29/62	300	100.00	30,000.00	30,000.00		440	.01	4.40	4.40	
3. Oct. 18/62	16	100.00	1,600.00	74.56	1,525.44	1111	.01	11.11		$11.11
4. Nov. 30/62						455	10.00	4,550.00	4,550.00	
5. May 15/63						150	.01	1.50	1.50	
6. Aug. 1/63	5	100.00	500.00	500.00		200	10.00	2,000.00	2,000.00	
7. Aug. 20/63						1500	.01	15.00	15.00	
8. Nov. 29/63						100	10.00	1,000.00	1,000.00	
9. April 28/64						461	.01	4.61	4.61	
10. May 11/64	10	100.00	1,000.00	1,000.00		500	.01	5.00	4.61	
11. May 15/64	23	100.00	2,300.00	2,300.00		671	.01	6.71	6.71	
12. Aug. 6/65	22	100.00	2,200.00	2,200.00		782	10.00	7,820.00	7,820.00	
13. Aug. 6/65										
14. Nov. 15/65	(776)	(100.00)	(77,600.00)	(69,053.19)	(8,546.81)	10072		77,600.00	(Conversion of Class B Preference Shares Stock Split)	
Nov. 15/65						3030				
Nov. 15/65						23750	7.70	182,875.00	182,875.00	
15. July 4/67						200	12.00	2,400.00	2,400.00	
						63422		$278,498.28		
16. Nov. 29/67						634220			(Stock Split)	

8% Class A Cumulative Preference Shares Par Value $100.00 Each

Date	Number	Amount per Share Realized	Total Amount Realized
Nov. 29/63	750	$100.00	$75,000.00
	750		$75,000.00

Reclassified as 8% Cumulative Redeemable Second Preference Shares, Par Value $0.40 Each.

May 7/68	187,500

$2.60 Cumulative Redeemable Convertible First Preference Shares Series A (Par Value $50.00)

Date	Number	Amount per Share Realized	Total Amount Realized	Paid in Cash
May 7/68	40,000	$50.00	$2,000,000.00	$2,000,000.00

Reference is made to the Prospectus under the heading "Use of Proceeds" page 4

Position at May 7, 1968

Issued and Fully Paid

40,000 First Preference Shares Series A	$2,000,000.00
187,500 Second Preference Shares	75,000.00
634,220 Common Shares	278,498.28
	$2,353,498.28

NOTE: All shares were issued for additional working capital unless otherwise noted above.